St. Xavier's College (Autonomous), Kolkata
XAVIER'S FINANCE COMMUNITY

PIDILITE

EQUITY REPORT

Pidilite

CONTENT

Pidilite

CONTENT

Pidilite

CONTENT

Overview

Pidilite is an Indian multinational pioneer in the consumer & speciality chemicals industry. It was founded in 1959 by Balvant Kalyanji Parekh, who started with a single product – a synthetic glue that later became famous as Fevicol. Over the years the brand has built an unmatched Consumer & Bazaar (B2C) segment while catering to industrial markets through a broad portfolio of resins, pigments, and speciality chemicals. Pidilite is now India's market leader in adhesives and sealants across all three business segments – branded consumer products, trade products, and industrial products.

Pidilite's operations are structured into two segments: Consumer & Bazaar (C&B) and Business-to-Business (B2B). The C&B segment includes adhesives, sealants, construction chemicals, and art materials, targeting households and skilled professionals. The B2B segment serves industries like packaging, textiles, paints, and automotive with speciality chemicals. Brands like Fevicol, Dr Fixit, Fevikwik, M-Seal, and Fevicryl enjoy strong brand equity. With a wide distribution network, manufacturing plants, and an expanding global presence, Pidilite leverages innovation and market leadership for sustainable growth.

Pidilite maintains a strong focus on ethical governance, operational transparency, and responsible manufacturing. It emphasises innovation-led growth and prudent capital allocation. Its reputation for quality, customer trust, and leadership in niche markets position it as a resilient and future-ready organisation.

In addition to its strong domestic presence, Pidilite has steadily expanded its international footprint through strategic acquisitions and joint ventures in markets such as the Middle East, Africa, South Asia, and Brazil. The company operates more than 25 manufacturing facilities in India and several others abroad, with an emphasis on backward integration to maintain quality and cost efficiency. Pidilite also places considerable emphasis on sustainability and corporate social responsibility, investing in water conservation, education, and rural development initiatives. Through partnerships with NGOs and community-based programs, it actively contributes to inclusive growth. With a workforce of over 7,000 employees, Pidilite continues to reinforce its commitment to innovation, customer-centricity, and long-term stakeholder value.

Pidilite is making a significant strategic pivot, aggressively ramping up its efforts in the fiercely competitive decorative paints market. With a keen eye on the burgeoning demand in non-urban India, the company aims to capture a substantial 10–15% market share, a move that marks a departure from its traditional focus.

Pidilite Industries recently underwent a leadership transition, with Sudhanshu Vats assuming the role of Managing Director and Kavinder Singh as Executive Director and Joint Managing Director in April 2025. This signifies a strategic shift aimed at steering the company into its next phase of growth. Executive Chairman M.B. Parekh emphasized that these appointments reflect the "next phase of the Pidilite leadership journey" and expressed anticipation in collaborating with them to build "the Pidilite of the future". This change is expected to bring fresh perspectives to Pidilite's operations, potentially influencing its strategic direction, innovation initiatives, and market expansion efforts.

XFC's Stance

Price as on 30th April 2025: 3,030.00 | **Target Price (INR): 2,417.49** | **Downside (%): 25.34%**

Justifications for the target price

- Minimal and India-centric approach to R&D spending: Pidilite spends only 0.72% of its revenue on R&D, compared to the global industry standard of ~5%. This is not optimal for the company as this underinvestment suggests that the company may fall short in creating next-generation products, improving formulations, or developing environment-friendly alternatives, which are increasingly demanded in both industrial and consumer markets.

- Enterprise is overvalued in the market: Pidilite's high EV/EBITDA of 66.33 shows enterprise is overvalued compared to its earnings which inflated the ratio. The P/B ratio also supports the point of the company being overvalued. The price of Pidilite is 18.24 times its book price compared to an Industry average of 6 times P/B ratio.

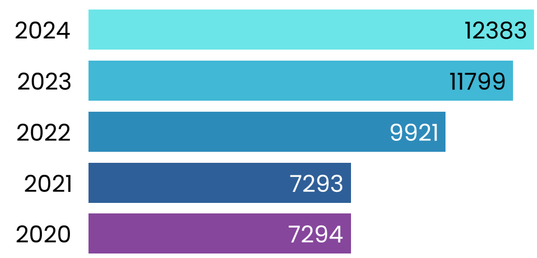
- Q3 FY25 Shortfall Highlights Low Market Demand: For Q3 FY25, Pidilite's consolidated net profit of ₹5.52 billion fell short of consensus estimates of ₹5.91 billion, and a 7.6% growth in revenues to ₹33.69 billion was lower than the expected ₹33.99 billion levels. Hence, weak demand for adhesives and sealants in an environment where pollution controls and project delays became significant deterrents, alongside destocking in the channels.

KEY PERFORMANCE INDICATORS (CONSOLIDATED)

Profit & loss matrices

Net Sales

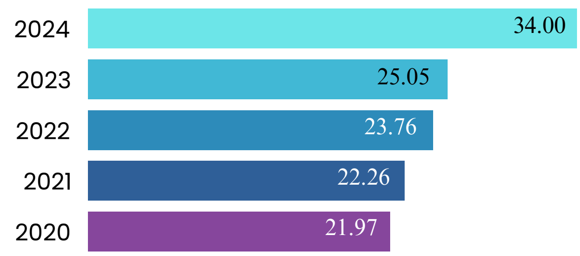
12383 | 5.4% ↑ (₹ in crores)



EARNINGS PER SHARE

(excluding exceptional items)

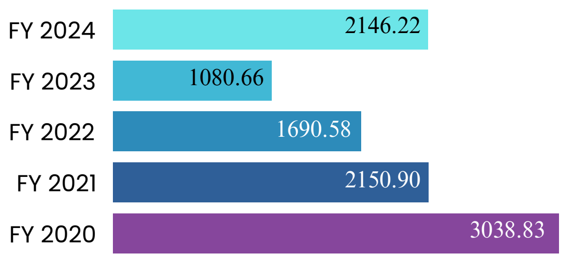
34.00 | 35.7% ↑ (₹)



Balance sheet matrices

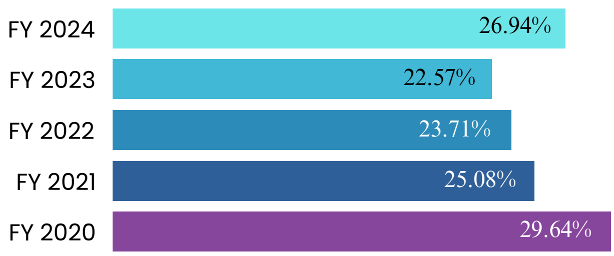
Net Current Assets

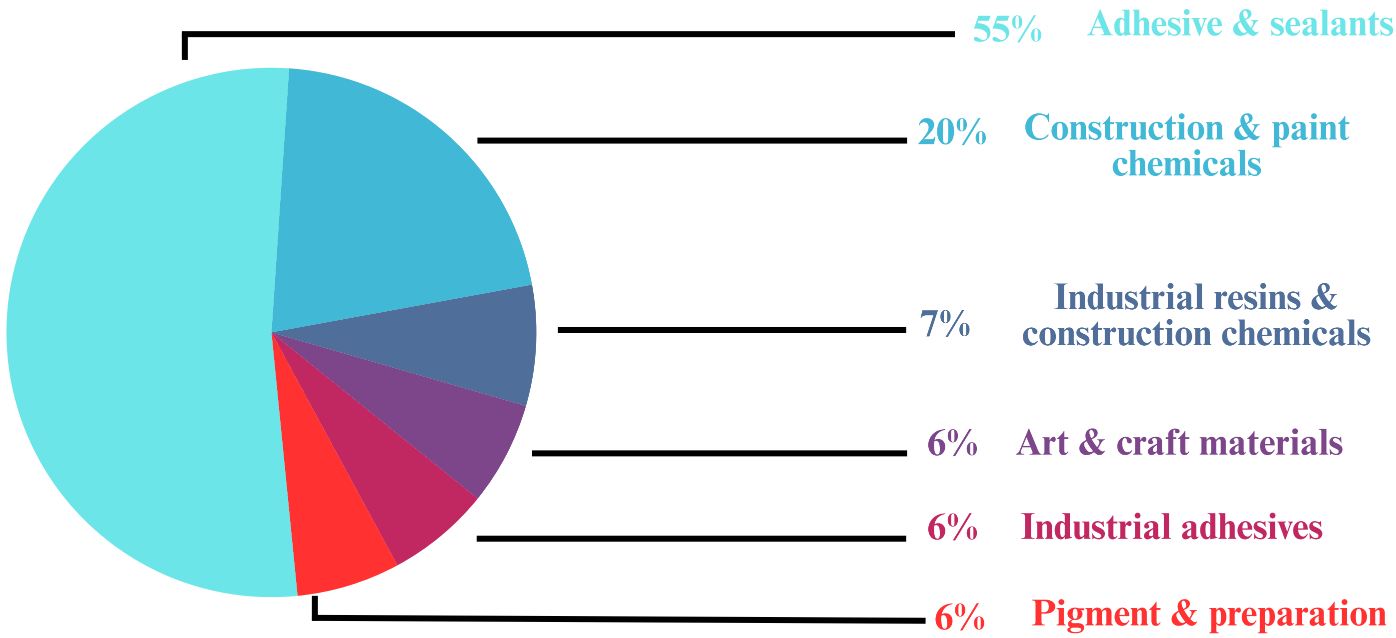
2146.22 | 49.4% ↑ (₹ in crores)



Return on Average Capital Employed

26.94% | 4.37% ↑ (%)





Industry Analysis

Indian Chemical Industry

The Indian Chemical industry is currently curating a path of remarkable growth and opportunities amidst the uncertain global environment. The Indian Chemical industry is the 6th largest producer of chemicals in the world and 3rd in Asia, contributing 7% to India's GDP, with a current valuation of US$ 220 billion, it is expected to reach US$ 300 billion by 2030 and US$ 1 trillion by 2040. The Industry is expected to further grow with a CAGR of 11%-12% by 2027, backed by the recent shift in the supply chain brought by the China+1 strategy, this would result in a rise in domestic demand and fuel the growth of the industry. India holds a strong position in exports and imports of chemicals at a global level and ranks 14th in exports and 8th in imports at the global level. The Lower per capita consumption and ease of doing business are promoted by the Indian government; this reflects good investment opportunities with huge growth potential.

Future Growth Projections with Reasons

- The Indian Chemical Industry is expected to grow from a market share of approximately US$250 billion to US$300 billion by 2030, ultimately aiming to surpass US$1 trillion by 2040. This would prove to play an important role in India's economic development, contributing significantly to the nation's GDP. The domestic chemicals sector's small and medium enterprises demand is expected to rise from US$ 170-180 billion in 2021 to US$ 850-US$ 1,000 billion by 2040 backed by an improvement in domestic demand and higher realisation due to high prices of chemicals.

- Several factors contribute to the Industry's rapid growth, including the global shift in supply chain diversification, referred to as the China+1 strategy, India is one of the top benefactors due to this as countries started preferring India as a favourable alternative to chemical manufacturing. Moreover, India's low cost manufacturing and abundant human resource pool enhance India's competitiveness in the global market.

- The specialty chemicals segment has been one of the fastest growing segments in the Indian manufacturing sector and is expected to achieve a valuation of US$ 64 billion in 2025. This growth is induced by the Indian Government's initiative to push self-sufficiency by promoting domestic manufacturing that can benefit in the long term as global manufacturing giants are evaluating viable alternative manufacturing locations.

- Furthermore, a crucial role is expected by sustainability regulations in the chemical industry, with increasing global emphasis on carbon neutrality and green chemistry. Indian manufacturers are focusing on developing eco-friendly processes and are investing more in research and development for biodegradable plastics, renewable feedstocks, and energy-efficient production.

Regulatory and Government Policies

- Union Budget 2025, introduced the National Manufacturing Mission to advance 'Make in India,' focusing on clean tech manufacturing. This initiative aims to develop a robust ecosystem for solar PV cells, EV batteries, motors and controllers, electrolyzers, wind turbines, very high voltage transmission equipment, and grid-scale batteries. Additionally, an allocation of ₹20,000 crore has been made to implement private sector-driven research, development, and innovation initiatives in the chemical sector.

- The Department of Chemicals & Petrochemicals intends to bring the Production Linked Incentive (PLI) scheme into the chemical & petrochemical sector and will redraft the Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) guidelines.

- The government has established four petroleum, chemicals and petrochemical investment regions (PCPIRs) as investment regions for petroleum, chemicals and petrochemicals, along with associated services.

- The Government has been encouraging the adoption of green chemistry promoting the development of biodegradable and environment-friendly chemicals to reduce industrial pollution and align with global sustainability goals.

- Government to open 25,000 Jan Aushadhi Kendras to make medicines available at affordable prices.

Competitive Landscape

1. Gujarat Fluorochemicals (GFL)

Gujarat Fluorochemicals Ltd (GFL) was founded in 1987 and is a prominent company in the Indian Chemical Industry with expertise in Fluorine Chemistry. Headquartered in Noida, Uttar Pradesh, India; GFL is one of the largest producers of chloromethane, refrigerants and polytetrafluoroethylene (PTFE). The company serves a wide range of end-use markets including mobility, telecommunications, healthcare, and architecture. The company has a market capitalization of ₹43,307 crores. The company operates internationally as well in Germany, Morocco and the US and has established two subsidiaries: Gujarat Fluorochemicals Americas LLC and Gujarat Fluorochemicals GmbH, serving American and European operations respectively.

2. Pidilite Industries

Pidilite Industries Limited was established in 1959 as a consumer and speciality chemical company. The Company operates under two major business segments, that is, Branded Consumer & Bazaar and Business to Business. Products, such as Adhesives, Sealants, Art & Craft Materials and Others, Construction and Paint Chemicals are covered under the Branded Consumer & Bazaar segment and the B2B segment covers products, such as Industrial Adhesives, Industrial Resins, Construction Chemicals (Projects), Organic Pigments, Pigment Preparations, etc. The company has a market capitalization of ₹154,059 crores and is currently the market leader in adhesives.

3. ATUL Ltd.

Atul Ltd is an integrated chemical company which was established in 1947 and is headquartered in Ahmedabad. It has been known as one of the largest integrated chemical companies in India with a market capitalization of ₹ 17,754 crores and has been awarded the Green Gujarat Award in 2019 for its Ankleshwar site. The company has a diversified portfolio meeting the needs of varied industries such as Adhesives, Agriculture, Automotive, Construction, Cosmetics, Defence, Electronics, Food & Beverage, Home & Personal Care, Paints & Coatings, Pharmaceuticals, Plastics, Rubber, Textiles, and Wind Energy. The company has a strong global presence with subsidiaries in the US, the UK, the UAE, China, and Brazil.

4. Shri Ram Fibers Ltd.

Shri Ram Fibers Limited (SRF) was established in 1970 and is a chemical-based multi-business entity engaged in the manufacturing of industrial and specialty intermediates. The company operates in over 90 countries, and with a market capitalization of ₹89,372 crores, the company leads in segments like technical textiles, fluorochemicals, packaging films, and specialty chemicals. With manufacturing units across India, Thailand, South Africa, and Hungary. SRF is known for its continuous global expansion through strategic investments and acquisitions.The company exports to over 90 countries and is a winner of the prestigious Deming Prize for Tyre Cord and Chemicals.

5. Jyoti Resins and Adhesives Ltd.

Jyoti Resins And Adhesives Ltd. is a manufacturer of synthetic resin adhesives and sells under the brand name of EURO 7000, which was launched in 2006. It is currently the 2nd largest wood adhesive white glue brand in India in the retail segment; a direct competitor to Pidilite Industries. The company has a market capitalization ₹1,508 crore.The company imports raw materials from various countries, processes them, and manufactures white glue at its Santej plant. The company services 14 states in India, including Gujarat, Madhya Pradesh, Rajasthan, Maharashtra, Karnataka, and others. It operates through 38 branches and 60 distributors, catering to 12,000 active retailers and 3.5 lakh carpenters across India.

Catalysts

Negative Catalysts

1. Climate Change

Climate change poses various environmental risks, including extreme weather events and water scarcity. Furthermore, the transition to a low-carbon economy introduces regulatory and market risks, such as shifts in consumer preferences to more sustainable products, rising product costs, and evolving government policies. These pose a significant risk to the company for which a detailed climate change risk assessment was conducted. Initiatives were taken to reduce the impact of GHG emissions by adopting measures on renewable energy sources, water conservation and waste reduction. Additionally, the company has established systems and processes to monitor emerging regulations, incidents and developments and to assess their applicability for compliance purposes.

<u>Risk Factors:</u>

- Manufacturing processes often need water, and climate change-induced water stress could affect production capacity in certain regions.
- As India and other countries adopt more climate-focused regulations, Pidilite may need to invest in cleaner technologies and shift to greener formulations.

2. Management and safety of hazardous chemicals

Managing hazardous chemicals and occupational health and safety has been a priority for Pidilite. Hazardous chemicals pose risks due to potential safety and health hazards, environmental damage, and workplace safety concerns. Improper handling of these can lead to accidents, exposure-related illnesses, regulatory non-compliance, and environmental damage. To counter this, the company has established several policies, like the Environment Health and Safety (EHS) policy and ISO 45001:2018 for the management of health & safety across its operations.

<u>Risk Factors:</u>

- Engineering controls are adopted for the safe handling of hazardous chemicals.
- Training and awareness programmes are provided to educate employees about hazards and associated risks.
- Risk levels for employees are reduced through proactive safety initiatives.

3. Working Capital Pressures

Pidilite's business model, which involves extensive dealer and distribution networks, can sometimes face challenges in managing receivables and inventories.

<u>Risk Factors:</u>

- A slowdown in demand or buildup of unsold inventory can create pressure on the company's working capital cycle, and reduce liquidity.
- Limit the ability to invest in future projects, business expansions and shareholder returns.

4. Raw Material Price Volatility

Pidilite relies heavily on petrochemical-based raw materials, including vinyl acetate monomer (VAM), which is a key input for adhesive production. Fluctuations in crude oil prices directly impact the cost of VAM and other petrochemical derivatives, making Pidilite vulnerable to input cost inflation.

Although the company possesses pricing power due to its strong brand, there are limitations to how much of the rising costs it can pass on to consumers without affecting demand. Sharp increases in raw material prices could therefore compress operating margins.

Risk Factors:

- Volatility in crude oil prices can significantly increase raw material costs.
- Inability to pass on cost hikes could decrease profitability.

5. Integration Risks from Acquisitions

Pidilite's growth strategy includes acquisitions and joint ventures to diversify its product portfolio and expand its market reach. However, integrating newly acquired businesses poses operational challenges.

Failure to achieve the expected synergies and efficiencies from acquisitions could result in lower-than-anticipated returns. Moreover, overpaying for acquisitions could stretch the company's financial resources, impacting its profitability.

Risk Factors:

- Integration difficulties could lead to operational inefficiencies.
- Overvaluation of acquisitions may dilute shareholder value.
- It also leads to a high accumulation of intangible assets on the balance sheet, such as goodwill and brand value which are based on management discretion and subject to judgment-based estimations. This creates the potential for accounting manipulation or impairment risks in the future.

Positive Catalysts

1. Rising Demand for Home Improvement and Repair Solutions

The increasing focus on home improvement and renovation activities, particularly in the post-pandemic era, is a significant catalyst for Pidilite's growth. As consumers prioritize aesthetics and durability, the demand for waterproofing, sealants, and decorative adhesives continues to rise.

With products like Dr. Fixit and Roff, Pidilite is well-positioned to capitalize on this trend. The company's focus on DIY (Do-It-Yourself) products further enables it to tap into the growing consumer preference for home repair solutions.

Catalyst Impact:

- Increased demand for waterproofing and repair products boosts revenue.
- Expansion of premium home improvement solutions enhances margins.

2. Government Infrastructure Push

The Indian government's focus on infrastructure development, including affordable housing, smart cities, and urban renewal projects, is a powerful catalyst for Pidilite's growth.

Pidilite's construction chemicals, waterproofing solutions, and adhesives are in high demand for infrastructure projects, especially in residential and commercial construction. Increased government spending directly boosts the company's B2B sales.

Catalyst Impact:

- Higher infrastructure spending increases the demand for construction chemicals.
- Partnerships with real estate developers expand Pidilite's industrial client base.

SWOT Analysis

Strengths:

- **Market leader in adhesives:** The greatest strength of Pidilite is its monopoly in the adhesive sector, with an approximate market share of 70%. The adhesive market is growing at a rapid pace, currently valued at around USD 5 billion in India.

- **Brand presence:** Pidilite owns some of the most trusted brands like Fevicol, M-seal and Dr.Fixit, with effective branding and marketing strategies, Pidilite has turned its flagship brand, Fevicol, to become synonymous with adhesives in households reflecting the trust consumers place in the brand.

- **Good Network of Suppliers & Distributors:** The company has built an extensive distribution network across the country which helps it reach out to the targeted customers easily. It has over 5000 distributors who supply to retailers across India.

- **Global Presence:** Pidilite Industries operates in over 100 countries and has manufacturing facilities in more than 9 nations, including the U.S., Brazil, Kenya, Singapore, the UAE etc.. The company has established several international subsidiaries, such as Pidilite USA Inc., Pidilite MEA Chemicals LLC etc. Their extensive range of products enables them to serve diverse markets tailored to meet the needs of consumers and industries worldwide.

Weaknesses:

- **Overly dependent on a few brands:** The company is excessively dependent on Fevicol and M-Seal for the majority of its revenue (55%). If any one brand fails, it would pose a high risk for the company and can impact the overall financial stability of the company.

- **Poor research strategy:** The company has a strong research team in only a few segments; the rest is outsourced or delegated to acquired companies. Furthermore, the company only spends 0.72% of its revenue on Research and Development. This is a poor strategy since it limits the company's growth and innovation.

- **High Dependence on Other Low Growth Sectors:** A significant portion of Pidilite's product categories depend on sectors like manufacturing and construction, which are currently experiencing lower demand and slower growth. This dependency could be a potential weakness for the company, as any prolonged decline in these sectors might negatively affect its performance and future growth.

Opportunities:

- **Venture into Rural Paint Market:** Pidilite plans to venture into the Rural Decorative paints market with their new brand Haisha Paints aiming to be the top three players in the same. The company has its strength of growing new businesses and hence even with the intense competition, this could play out a significant opportunity.

- **Home improvement sector:** The Company is confident of the medium to long-term prospects of the home improvement sector and remains focused on delivering consistent and profitable volume led growth. This sector includes some of their most popular brands like Fevicol (wood adhesives), Dr. Fixit (waterproofing and construction) and other reliable solutions for both residential and commercial projects.

- **Government Investment and Focus on Environment-Friendly Products:** Affordable housing programs along with rising per capita income will boost economic growth and create demand for the Company's products domestically. At the same time, Government support for environment-friendly products gives Pidilite an opportunity to develop eco-friendly adhesives and speciality coatings aligned with global standards and consumer preferences.

- **Expansion in R&D and Capex:** Pidilite is planning to increase the R&D centres and capital expenditure across segments that will drive innovation, improve product quality and improve customer satisfaction which in turn will help and strengthen its market presence in adhesives, construction chemicals, and specialty coatings. For FY25, it has earmarked ₹400–800 crore towards Capex, including setting up 3–5 new manufacturing facilities and strengthening its R&D and digital capabilities.

Threats:

- **Geopolitical Risks for Foreign Subsidiaries:** Foreign Subsidiaries are relatively smaller in size and remain vulnerable to the political and economic uncertainties of their respective countries and the rise in geo-political tensions could impact their performance. Currently, Pidilite derives Rs. 600 crores of its revenue from overseas subsidiaries which make up 4.8% of their total revenue.

- **Slowdown in Construction and Real Estate:** Slower economic growth and elevated real estate prices could negatively impact the construction industry, placing the company in an uncertain position.27.1% of Pidilite's revenue in FY 2023-24 came from waterproofing, sealants, and construction chemical products any slowdown in infrastructure projects, real estate activities, or housing demand could reduce the demand for Pidilite's products. Additionally, delays in government infrastructure spending could further weaken sales growth in this segment.

- **High Dependence on Raw Material Imports:** Fluctuations in raw material prices, mainly in petroleum-based products due to geopolitical conditions and supply chain disruptions might lead to higher raw material prices, simultaneously raising the costs and impacting profitability margins.

BCG Matrix

Star - Dr. Fixit, Araldite

-**Dr. Fixit** is a household name when it comes to waterproofing solutions in India for homeowners, construction companies and builders alike. Its dominance in the market is only set to rise with India's rapid urbanisation, as the demand for leak-proof and durable structures only seems to rise. India's waterproofing chemicals market is projected to reach $1.81 billion by 2030, growing at an estimated CAGR of 7.44%. Hence, Dr. Fixit is well expected to expand its market share further, which makes it a perfect fit for the Star category.

-**Araldite** is a premium epoxy adhesive which can be used to stick metal, plastics, glass, etc. for a long-lasting bond. It has growing demand in automotive, industrial, and home repair applications. India's expanding construction sector and the rising DIY culture fuel the growth of Araldite. With sustained innovation, it can further strengthen its market dominance. The global epoxy adhesives market is expected to reach $11.7 Billion by 2027, growing at a CAGR of 5%, which justifies Araldite being in the Star segment as the market is growing rapidly.

Cash Cow - Fevicol, Fevikwik

-**Fevicol**, which contributes to ~35% of Pidilite's revenue and has ~70% share in its own market, is synonymous with adhesives in India. It is the go-to brand for everyone from carpentry shops to students. It has gained a lot of credibility over the years due to its consistent quality and extensive distribution. It is also noteworthy that most of Fevicol's competitors are local producers of adhesives, with a few exceptions being Jivanjor and Euro. Being a major contributor to Pidilite's revenue but having limited growth potential due to the already high market penetration and a mature market, it is a cash cow.

-**Fevikwik**, which contributes to ~10% of Pidilite's revenue, dominates the instant adhesive market with strong brand recall and nationwide availability. Its market is quite mature which limits growth. However, consistent demand from households and industries has ensured steady revenue over the years. Marketing investment is also minimal, making it a reliable cash generator for Pidilite.

Question mark - Terminator, Fevicryl

-**Terminator** is a question mark product for Pidilite, with low market share but high market growth potential. With rising urbanisation in India, the demand for a termite protection product is only set to increase over the next few years. However, customer awareness is low when it comes to pest control as most people only look for cures rather than preventive measures. According to a survey, around 60% of Indians use traditional methods like kerosene to control pests. This is a drawback for Terminator. Another is the competition, Terminator competes with products from Tata Chemicals(Termex), Bayer(Premise), etc., making it difficult for it to capture a bigger share of the market.

-**Fevicryl** is popular among artists and hobbyists, benefiting from the rise of DIY crafts and social media-driven art trends. However, competition from imported art supplies as well as local brands limits its market share, targeted marketing and product innovation can help it grow. The demand for premium-quality art supplies is increasing, but Fevicryl's positioning in this segment remains uncertain. Without strong brand differentiation, its future remains unpredictable, keeping it in the question mark category.

Dog - Rangeela, Fevistik

-**Rangeela** is one of the few dog category products in Pidilite's house of brands. It has a low market share as well as low market growth, mainly due to the availability of better quality and longer lasting products available in the market from brands like Camlin and Doms. Unlike Fevicol and other high margin products of Pidilite, Rangeela doesn't receive significant marketing investment and brand promotion. This is an added drawback for Rangeela, which is why it can be classified as a dog category product. Through various channel checks on apps like Zepto, Blinkit, and Amazon, Rangeela had only 1-2 product listings as compared to Doms' and Camlin's 7-8 on average, which might also be due to Camlin and Doms frequently rolling out new products unlike Rangeela. These are the reasons why Rangeela can be classified as a dog category product.

-**Fevistik** faces intense competition from local and international stationery brands. While widely used in schools and offices, price-sensitive consumers often opt for cheaper alternatives which sell at 30-40% lower costs. Since it doesn't have significant product differentiation, its growth remains limited, making it a low-priority product for Pidilite. In an increasingly digital world, the demand for physical glue sticks may decline over time.

Porter’s Five Forces

Threat to new entry (low)

Entry into the chemical industry needs supply chain stability and often the materials and infrastructure may cost high initial Capital expenditures.

- Supply chain stability
- New technology- products pose a strategic risk
- High investment in R&D
- Skilled labourers are required
- Patent regulation

Impact: new entry can take market share but Pidilite has made its goodwill in the market

Bargaining power of suppliers (low)

As there are thousands of suppliers, their bargaining power is severely limited. Companies across the world can access online portals to get details about suppliers with ease. Despite this, it is still possible for some suppliers to retain a hold over certain customers. A client that requires a niche product may have only a limited number of suppliers to choose from.

Impact: To maintain the product quality and price as per customer requirements the company cannot easily change its suppliers or else will be in a position to lose its market share

Bargaining power of buyers (moderate)

There are thousands of suppliers in the chemical industry and they can attract buyers with a wide range of options. While one of the prime considerations that a buyer would have would obviously be price, other factors influence the purchase decision. Pidilite has a strong brand presence, products like fevicol, Dr. fixit, fevikwik, fevistick have gained people's trust.

Impact: Pidilite has some flexibility over its prices charged to the customers because of its goodwill & product quality.

Threat of substitute (low)

Chemical suppliers can develop substitute products, but it is a difficult task as it requires a strong R&D department as well as a high degree of knowledge of the client’s processes. On top of that, substitutes of chemicals are rare, as suppliers have to bring the product either in low cost or better quality to attract customers. Pidilite substitutes which are already present in the market and could also be a threat are birlawhite, superglue, Henkel and Jyoti resins.

Few investments in the chemical industry.

- Sika, a manufacturer of adhesives, sealants, mortar solutions, and many other products, had opened a new plant in Quito expanding the availability of mortar solutions, primarily used for interior walls and tile adhesives.
- BASF has started its first plant to recycle polyamide.

Impact: The rivals are investing and trying to capture market share by bringing substitutes, so Pidilite should keep updates about the market environment and plan accordingly.

Industry rivals (moderate)

The chemical industry is intensely competitive but in Pidilite's segment competition is low. There are large numbers of manufacturers, each fighting for market share. The economics of the scale is high so they need to focus more on pricing strategy and fixed & maintenance cost is high in the industry. Pidilite has successfully capitalized on the growing demand for adhesives and construction chemicals in both rural and urban areas but at the same time some companies like Asian Paints, Henkel AG, Bostik Arkema & Jyoti Resins are rivals and a threat to the company's growth.

Impact: Pidilite is securing a high market share compared to its competitors giving the company an edge over others.

Product Life Cycle Analysis

Introduction phase

Overview: Pidilite Industries is a leading Indian multinational specializing in adhesives, sealants, construction chemicals, and art materials. Founded in 1959, the company is best known for its flagship brand, Fevicol, and has expanded its presence across diverse sectors globally through innovation and strong customer loyalty.

Products: Pidilite has launched only a few products which gave it a good market presence and image some of them are Fevikwik, Fevicol, Dr. Fixit.

Characteristics:

Introduction stage

- Prioritizing consumer trust and conducting in depth research to understand their target audience helped Pidilite develop products that meet their demands.

- Fevicol and Dr fixit were introduced in the 1960s and 2001 respectively. Dr Fixit began with the sale of its basic integral waterproofing product.

- Pidiproof LW+ (waterproof concrete during the construction stage) tapped into the market at a time when these chemicals were used only by large builders and multi-level dwelling units, with a significant presence in the B2B segment.

- During the 1990s, when wooden furniture was in vogue, carpenters were the primary users of adhesive products. Rather than relying on middlemen, Fevicol took a direct customer approach.

Growth Stage

Overview: Pidilite understood its customer needs and focused on improving the product. They started marketing their product and capturing market share. A goodwill and presences was made by them in the market

- R&D also plays a crucial role, and Pidilite has performed well as we can see Innovation and diversification are key to sustaining growth. By continuously evolving its product range and exploring new markets, Fevicol has managed to be a leader in the adhesive industry. Dr Fixit also offers a wide range of innovative construction chemicals in waterproofing, building repairs, sealants, coatings and paints, grouts and anchors and industrial floorings.

- Pidilite won the Consumer Products Awards EY Entrepreneur Of The Year Award in 2014 and next year Pidilite won the Acetech 2015 Gold Award At Design Wall Dr. Fixit. This shows the performance and the capability of the company to be a market leader.

- Fevicol puts its maximum effort into reaching out to the consumer segment. In fact, in this phase, 80% of its revenue came from this segment, while the remaining 20% through industrial sales.

- Awareness of the importance of integral waterproofing grew especially in regions prone to dampness and water seepage; Pidiproof LW+ entered a strong growth phase by the mid-2010s. Marketing efforts included regional language promotions and collaborations with influencers. Despite increasing competition from local and generic alternatives, Pidiproof LW+ maintained its edge due to Pidilite's brand trust and ongoing efforts.

Maturity phase

Overview: Sales growth slowed as the product reached its peak market penetration. Pidilite focuses on maintaining market share through brand loyalty, cost efficiency, and product line extensions.

- Pididlite Captures more than 65 % of India's adhesives and sealants market, with its flagship brand, Fevicol, holding approximately a 70 percent market share.

- The company plans to introduce new products in categories such as new waterproofing products, tile adhesives, and construction chemicals to broaden its portfolio. It also aims to strengthen its presence in the rural markets by adding new retail points and focusing on overall consumers.

- Dr. Fixit enjoys high brand recognition and market leadership in India. It has a broad product range. It has become the default brand for waterproofing among homeowners, contractors, and even many institutional buyers.

PESTEL Analysis

Political factors

- International trade pressure: Many speciality chemicals, adhesives, and polymers used in Pidilite's products are imported from global markets like the US and China. If tariffs increase, Pidilite's production expenses could rise. As a result of tariffs, sectors like auto, textiles, and electronics may face challenges. This could reduce domestic demand for Pidilite's industrial adhesives and coatings.

- Public infrastructure push: India's rapidly expanding smart cities and affordable housing schemes like PMAY from the government create massive demand for waterproofing and construction adhesives. Pidilite can collaborate with municipal bodies and developers to offer pre-approved waterproofing and adhesive solutions for public infrastructure, ensuring better compliance with sustainability norms.

Economic factors

- E-Commerce and Packaging Boom: The surge in quick-commerce and e-commerce over the last few years has also resulted in a rise in demand for packaging and hence adhesives. Fevikwik & M-Seal can target industrial packaging & courier businesses.

- Inflation and Consumer Price Sensitivity: As inflation drives up raw material costs (PVA for glue, pigments for colours, and plastic for packaging), Pidilite may need to increase prices for Fevistik, Fevigum, and Rangeela. This will lead many middle and lower income customers to opt for regional brands and unorganised market players who offer cheaper glue sticks, liquid glues, and colour sets with minimal branding and lower quality. Individuals especially in Tier 2 and Tier 3 cities, might opt for these instead of premium brands.

Social factors

- Eco-friendly and biodegradable products: Of late, there has been a trend among consumers to prefer eco-friendly and biodegradable products over conventional ones, even if the biodegradable ones cost slightly more than other alternatives. Products like Fevicol and Fevistik might come under scrutiny in the future as they rely on synthetic resins. Similarly, products like Rangeela need to have chemical-free and skin-safe colours. Pidilite can also market this as very few other companies are focusing on this.

- Rise of DIY culture: With the rise of DIY culture, products like Fevicryl, Fevicol, and Dr. Fixit are seeing increased demand. Consumers prefer home improvement, crafting, and repair solutions, boosting sales through DIY kits, tutorials, and influencer-driven content.

Technological factors

- Advanced Waterproofing Solutions: Waterproofing solutions need to be performed in high-moisture areas like kitchens, bathrooms, and basements. Dr Fixit can expand into anti-mould and algae-resistant coatings for monsoon-prone areas.

- Sustainable Adhesive Innovations: With increasing bans on single-use plastics, Pidilite can develop compostable glue for e-commerce packaging and sustainable tapes that decompose naturally. Traditional adhesives rely on synthetic chemicals. Pidilite can introduce bio-based Fevicol or Fevistik made from starch, plant resins, or natural polymers to appeal to environmentally conscious consumers.

Environmental factors

- Water Consumption in Manufacturing: Adhesive and chemical production consumes large amounts of water, a resource that is becoming scarce. This might have a negative impact on the brand image of Pidilite. In order to counter this, Pidilite may need to invest in water-recycling plants, low-water manufacturing, and eco-friendly waterproofing solutions to align with sustainability goals. Future policies might increase water costs, affecting profit margins if sustainable alternatives aren't adopted.

- Sustainability & Upcycling Trends: Growing DIY and upcycling trends encourage consumers to repair rather than replace items. This benefits Fevikwik, Fevicol, and M-Seal, as people use adhesives to fix furniture, shoes, and electronics instead of discarding them. With sustainability in focus, many fashion brands and artists are using adhesives to create repurposed clothing, furniture, and art pieces, increasing sales of Fevicryl, Fevicol MR, and Fevigum.

Legal factors

- Intellectual Property Rights (IPR) infringement: In an attempt to gain brand recognition for Pidilite's products, many local producers create counterfeits with names similar to those of Pidilite (eg. Fevicol becomes Fevikol), and copy the packaging of these products. Since these are also priced cheaper than the original, they manage to take away sales from the original company. Similarly, counterfeits of Fevicol and other popular brands have also emerged. Legal action is necessary, but there is no end to how many can be shut down through legal action as newer ones will continue to emerge.

- Plastic Waste Compliance & Packaging Regulations: Governments are holding companies accountable for their plastic waste, requiring recyclable or biodegradable packaging. Fevikwik tubes, Fevicol containers, and Motomax bottles must transition to eco-friendly alternatives to meet sustainability targets. Failure to comply could lead to higher taxes, penalties, or bans on certain packaging materials.

Management Analysis

Mr. Sudhanshu Vats (Managing Director)

Sudhanshu Vats, the Managing Director of Pidilite Industries, brings over 30 years of leadership across the FMCG, media, and packaging sectors. He began his career at Hindustan Unilever Limited in 1991, where he spent two decades driving the growth of iconic brands like Surf, Rin, Lux, Lifebuoy, and Lipton. He also led successful launches of products such as Domex and Comfort in India.

In 2004, he joined BP (Castrol India) as VP of Marketing and revitalized the Castrol Master Brand. He then transitioned to media, serving as MD & Group CEO at Viacom18 for eight years. Under his leadership, Viacom18 scaled from a six-channel network to a diversified media powerhouse with 54 channels across 80+ countries. He also launched VOOT, ventured into film and events, and significantly boosted revenues. In 2020, Vats became CEO and MD at EPL Limited (formerly Essel Propack), where he drove double-digit growth and sustainable innovation during the pandemic. Joining Pidilite as Deputy MD in 2021, he took over as MD in April 2025. His proven track record of transformation and strategic execution positions him to lead Pidilite's next phase of growth.

M.B Parekh (Executive Chairman)

Madhukar Balvantray Parekh serves as the Executive Chairman of Pidilite Industries, India's leading manufacturer of adhesives and sealants. He joined the company in 1972 after earning a Master's degree in Chemical Engineering from the University of Wisconsin and gaining experience at Abbott Laboratories in the U.S.

Under his leadership, Pidilite transformed from a modest B2B enterprise into a consumer-centric powerhouse, renowned for iconic brands like Fevicol. Parekh emphasized innovation and strategic investments, notably establishing a state-of-the-art R&D centre in Mumbai and the Pidilite Innovation Centre in Singapore.

As of October 2024, Parekh and his family were ranked 17th on Forbes' list of India's 100 richest tycoons, with a net worth of $14.6 billion. Beyond Pidilite, Parekh holds leadership roles in companies like Vinyl Chemicals (India) Ltd. and Excel Industries Ltd., reflecting his extensive influence in the Indian chemical and manufacturing sectors.

Mr. Apurva N.Parekh (Executive vice chairman)

Shri A N Parekh holds a Degree in Chemical Engineering from the University Of Wisconsin, Madison. He has been an integral part of Pidilite's growth story since 1995. Today, he leads multiple businesses and functions in the Company. As Executive Vice Chairman, his role extends beyond traditional business management, encompassing strategic decision-making, fostering innovation, nurturing key partnerships, and guiding the company's long-term vision. Additionally, he plays a crucial part in shaping corporate governance, driving sustainability initiatives, and ensuring operational excellence across various facets of the organization. He has experience of directorship in Parkem Dyes & Chemicals Pvt. Ltd., Kalpaj Sales & Agencies Pvt. Ltd. , Jess Advisors Private Limited, Pargro Investments Private Limited .

Mr. Sandeep Tanwani (Chief Marketing Officer)

Sandeep Tanwani joined Pidilite in 2024 as Chief Marketing Officer. With over 25 years of global business experience, Sandeep brings extensive expertise in business strategy, brand building, communication, digital marketing and supply chain strategies.

In his previous role as Vice President of Unilever Professional & Homecare Transformation, South Asia, he was instrumental in developing a B2B business model for Unilever. This initiative operated as a startup within the larger Unilever ecosystem, integrating the best of marketing, R&D, supply chain, and go-to-market strategies to develop pioneering solutions for business operators. Sandeep began his career with Reliance Industries before moving to Unilever, where he spent over two decades building Unilever's fabric solutions and skincare categories. He has a proven track record in category strategy, innovation, building brand portfolios, P&L management, and international marketing. An alumnus of XLRI Jamshedpur and an engineering graduate from Gujarat University, Sandeep is passionate about creating lasting value for businesses through brands and consumer-centric innovations.

Shri. Sandeep Batra (Executive Director-Finance & CFO)

Shri Sandeep Batra is a qualified Chartered Accountant and Company Secretary. His career journey commenced with ICI India, where he ascended to the position of CFO. He was the CFO of Pidilite Industries Ltd., between2009 and 2015. His last role was as the Chief Financial Officer of CromptonGreaves Consumer Electricals. He has experience of directorship in Nina Percept Private Limited, Solstice Business Solutions Private Limited, DFM Foods Limited and Bhimad Commercial Company Private Limited.

Income Statement Analysis

- **Total Revenue:** ₹12,522.64 crore, up from ₹11,848.71 crore in FY23. This 5.7% year-over-year growth reflects increased demand and effective pricing strategies across Pidilite's product lines.

- **Net Profit (PAT):** ₹1,747 crore, a 36% increase from the previous year's ₹1,273.25 crore. The significant increase in PAT indicates improved operational efficiency and cost management.

- **Operating Profit Margin (OPM):** Improved to 21.83% from 16.82% in FY23. An increase to 21.83% indicates enhanced operational efficiency and better cost control, contributing to higher profitability.

- **Earnings Before Tax (PBT):** ₹2,451.02 crore, up 42% year-over-year. A 42% increase demonstrates strong operational performance and effective financial management, leading to higher pre-tax earnings.

- **Earnings Per Share (EPS)**: ₹34.01, up from ₹25.05 in the prior year. The rise in EPS reflects increased profitability, enhancing shareholder value and indicating strong financial health.

- **Cost of Materials Consumed**: Decreased to ₹4,520.20 crore from ₹5,345.97 crore in FY23, reflecting better input cost management. A decrease of approximately 15.4% suggests improved procurement strategies, cost efficiencies, or favourable raw material pricing, contributing to better margins.

- **Depreciation and Amortization**: Rose to ₹289.11 crore from ₹221.97 crore, indicating ongoing investments in assets. The increase indicates ongoing investments in assets, such as new facilities or technology, aligning with the company's growth and modernization strategies.

Pidilite's strong financial results in FY24, characterized by significant growth in revenue and profitability, position the company well for sustained success. Continued focus on strategic initiatives and operational efficiency is expected to drive future performance.

Balance Sheet Analysis

Increased Capital Expenditure

Pidilite's Property, Plant & Equipment rose from ₹1,690.88 crores in FY 2023 to ₹2,206.49 crores in FY 2024, while Capital Work in Progress declined from ₹405.94 crores to ₹148.09 crores, indicating completion of ongoing projects. During the financial year, ₹776.36 crores of CWIP have been capitalised alongside fresh capital expenditure to expand its manufacturing base. The principal expenditure for Pidilite occurs through various acquisitions. In FY 24 the company acquired the remaining 25.42% share in Nina Percept Pvt Ltd, making it a fully owned subsidiary. Moreover, the company's acquisition of Pargro Investments Pvt. Ltd., an existing NBFC, aims to provide credit to its domain ecosystem to support its business growth.

Working Capital Movement

The working capital requirements of the company have significantly declined which indicates improved operational efficiency as funds are being redeployed for long term expansion. This indicates a higher efficiency in the utilisation of working capital. The inventories experienced a significant decline from ₹1,817.08 crore to ₹1,414.90 crore, indicating lower carrying costs and a better turnover ratio. Trade receivables increased from ₹1,535.27 crores to ₹1,674.69 crores, suggesting slower conversion of sales to cash, and trade payables increased from ₹1,064 crores to ₹1,148 crores, signifying improved credit terms with suppliers.

Investments

Pidilite has shown a significant increase in its investments in FY 24. Non-current investments have shown moderate growth from ₹349.65 crore to ₹364.88 crore in FY 24 due to increased investments in preference shares and Alternative Investment Funds (AIF). Furthermore, investments accounted for using the equity method increased from ₹95.02 crore to ₹104.97 crore due to investments in joint ventures of Pidilite MEA Chemical LLC, thereby strengthening the company's strategic alliances.

The current investments have shown a significant rise from ₹531.20 crore to ₹1,870.16 crore, mainly backed by an increase in Mutual Fund Investments. This reflects the company's strategy to park excess liquidity and henceforth increase its flexibility to meet operational expenses and optimise liquidity management. However, the company can also utilise this excess liquidity by providing more dividends, stock dividends and share buybacks to and from shareholders.

Borrowings

During the year, Pidilite showed no long-term borrowings. Its short-term borrowings stood at ₹163.26 crores in FY 23 to ₹131.15 crores in FY 24. This indicates that the capital structure has lower leverage, which lowers its financial risk and gives it flexibility over the capital. This approach, however, can be considered conservative and may limit its growth potential and profitability. Pidilite's substantial reserves and investments position it well to fund its operations and enhance returns for shareholders without relying on external debt. However, as the company ventures into new markets, strategic use of debt in the future can help the company by supporting any large-scale acquisitions and accelerating growth.

Intangible Assets

Pidilite’s intangible assets stood at ₹1,281.72 crores in FY 24 compared to ₹ 1,289.76 crores in FY 23. It holds relatively high intangible assets and has maintained them over time. It represents the company's investment in its goodwill, brand value, R&D and product innovation, which shows its strong market presence and gives it a competitive advantage. However, a large portion of intangible assets includes goodwill. This can also be viewed as a way of inflating intangible assets of the company and hence requires closer observation.

Cash Flow Analysis

Cash Flow from Operating activities:

In the past few years, the company has been generating more cash from its core business than the profit shown in its income statement. This is a good sign, as it means the profits are real and backed by cash, not just accounting numbers.

Apart from the dip in FY2022, the cash from operating activities has been steadily rising. This indicates that Pidilite has a healthy and scalable business model. The profit from operations has also risen steadily, with an average 15% YoY growth in the last five years to ₹2,798 Cr in FY24. This displays the efficiency of the operations of the company.

The working capital employed, owing to the high volatility of inventory, has been highly volatile over the last few years. It fell from ₹57 Cr in FY20 to ₹27 Cr in FY21, followed by a steep negative of (-₹510 Cr) in FY22. It narrowed down in FY23 to (-₹79 Cr), with a strong recovery to ₹574 Cr positive in FY24.

Cash Flow from Investing activities:

The cash flow from investing activities stood at ₹103 Cr in FY2020, then turned negative in the following years: (-₹1,688 Cr) in FY 2021, (-₹558 Cr) in FY2022, (-₹899 Cr) in FY2023, and (-₹1,769 Cr) in FY2024. This shows the company has been consistently spending on growth and expansion over the last few years, which is a positive indicator.

The value of fixed assets purchased has mostly risen in the last few years, initially dropping from ₹467 Cr in FY20 to ₹354 Cr in FY21, then rising at a CAGR of 16.2% to ₹559 Cr in FY24., showing a steady rise in capital investments over time, and the expansion of capacity of the company.

Investments purchased increased sharply from (-₹1,439 Cr) in FY20 to (-₹2,932 Cr) in FY21, then dropped significantly to (-₹101 Cr) in FY22. The outflow rose again in FY23 to (-₹1,851 Cr) and then to (-₹2,708 Cr) in FY24. This rise was majorly driven by investments in current assets, particularly Pidilite's mutual funds portfolio which became almost 4x its size within the span of FY 2023-24.

While highly fluctuating, Pidilite's investment activity has been substantial and has resulted in major expansion over the last few years.

The cash flow from investing activities being negative in FY20-21 was due to a deficit of -₹2,061cr in other investing items. This was because of major acquisitions of Tenax India and Huntsman Advanced Materials Solutions India.

Cash Flow from Financing activities:

The company took on major borrowings in 2022 but managed to repay most of it in the following year itself. The median interest coverage ratio for the last 5 years is 44.76%, which shows that the company is in a good financial position and can handle its debts well. It also builds trust with lenders, which will help if the company needs to borrow money in the future.

The company has a consistent dividend payout policy. This shows stability while also increasing investor confidence It also shows that the company is very shareholder-friendly.

Net cash flow:

Despite negative cash flows from investing (-₹1,769 cr) and financing (-₹742 cr) activities, a strong cash flow from operating activities amounting to ₹2,798 cr has resulted in a positive net cash flow of ₹212 Cr for the financial year 2023-24.

Ratio Analysis

Profitability ratio

PBDIT MARGIN%

2024 - 24.31%
2023 - 18.10%
2022 - 21.93%
2021 - 26.07%
2020 - 25.82%

Analysis- Pidilite Industries began with a strong PBDIT margin of 25.82%, reflecting healthy operational performance. In the following years, margins rose slightly to 26.07% but then declined to 21.93% and further to 18.10%, indicating potential cost pressures or market challenges. However, the margin improved to 24.31% in the latest year, suggesting a strategic recovery and improved efficiency. Despite mid-period fluctuations, the overall trend shows Pidilite's ability to manage operations effectively and restore profitability. This resilience highlights the company's strong fundamentals and adaptability in maintaining a stable financial performance amidst changing business conditions.

ROCE%

2024 - 26.94%
2023 - 22.57%
2022 - 23.71%
2021 -25.08%
2020 - 29.64%

Analysis- Pidilite Industries started with a strong Return on Capital Employed (ROCE) of 29.64%, showcasing efficient use of capital. However, over the next three years, ROCE declined to 25.08%, then 23.71%, and further to 22.57%, indicating reduced efficiency or increased capital base with slower profit growth. In the latest year, ROCE improved to 26.94%, signalling a rebound in capital productivity. However, this company is showing sustainable returns and not showing any skewed returns.

ROA%

2024 - 15.82%
2023 - 12.98%
2022 - 15.05%
2021 - 14.18%
2020 - 18.93%

Analysis-Pidilite Industries began with a strong Return on Assets (ROA) of 18.93%, reflecting efficient use of its asset base to generate profits. In the following years, ROA declined to 14.18% and 15.05%, and further dropped to 12.98%, indicating reduced profitability or higher asset expansion without proportionate income growth. However, in the most recent year, ROA improved to 15.82%, suggesting better asset utilization and operational efficiency. This pattern shows an initial high, followed by a dip, and then a recover

Liquidity Ratios

Current ratio

2024 - 2.09
2023 - 1.89
2022 - 1.73
2021 - 1.44
2020 - 2.33

Analysis- The current ratio measures a company's ability to pay its short-term debts using its short-term assets. A ratio above 1 means the company can meet its obligations, while a ratio between 1.5 and 2 is typically considered healthy. Pidilite Industries' current ratio declined from 2.33 in 2020 to 1.44 in 2021, showing a temporary dip in liquidity. Since then, it has steadily improved, reaching 2.09 in 2024. This upward trend indicates better asset management and stronger short-term financial health. Overall, Pidilite's liquidity position is stable and solid, with the current ratio now well within the healthy range.

Quick ratio

2024 - 1.58
2023 - 1.14
2022 - 1.00
2021 - 0.94
2020 - 1.75

Analysis- The quick ratio shows how well a company can meet its short-term liabilities using its most liquid assets, like cash and receivables, without relying on inventory. A ratio above 1 is generally considered safe. Pidilite Industries' quick ratio declined from 1.75 in 2020 to a low of 0.94 in 2021, indicating some pressure on immediate liquidity. However, it gradually improved over the next few years, reaching 1.58 in 2024. This steady rise points to better working capital management and improved financial discipline. Overall, the company's current quick ratio reflects a healthy ability to handle short-term financial obligations.

Valuation Ratios

EV/EBITDA

2024 - 53.79
2023 - 58.86
2022 - 66.33
2021 - 52.26
2020 - 39.77

Analysis- The EV/EBITDA is a ratio that compares a company's Enterprise Value (EV) to its Earnings Before Interest, Taxes, Depreciation & Amortisation (EBITDA). The EV/EBITDA ratio is commonly used as a valuation metric to compare the relative value of different businesses. The ratio peaked in FY 2022 at 66.33 and stood at 53.79 in FY 2024. Pidilite has consistently had a higher EV/EBITDA ratio than its industry peers, which implies that the company could be potentially overvalued since investors are willing to pay a premium price for its expected future earnings or growth prospects. This could be due to its market leadership in adhesives and construction chemicals and strong brand presence.

Price/BV

2024 - 18.24
2023 - 16.59
2022 - 19.49
2021 - 16.45
2020 - 15.47

Analysis- The price-to-book value (P/B) ratio shows the market valuation of a company compared to its book value. Pidilite's Price to Book value ratio peaked in FY 2022 at 19.49 and stood at 18.24. Over the years the company has consistently shown a significantly higher P/B ratio than its peers, suggesting that the stock price is trading at a premium to the company's book value. This indicates that the company might be overvalued. Nevertheless, investors are willing to pay a premium, likely because Pidilite is the market leader in a few segments and has a strong brand presence and robust growth.

Efficiency Ratios

Asset Turnover Ratio

2024 - 1.45
2023 - 1.57
2022 - 1.49
2021 - 1.30
2020 - 1.52

Analysis- The asset turnover ratio indicates the efficiency with which a company is using its assets to generate revenue. Pidilite's Asset Turnover ratio had declined from 1.57 in FY 2023 to 1.45 in FY 2024 indicating a slight decline in efficiency. Although the recent decline could be the result of increased capital expenditure and marginal growth in sales. The ratio ranges between 1.3 - 1.6 suggesting that overall Pidilite has maintained its effective control over its operations.

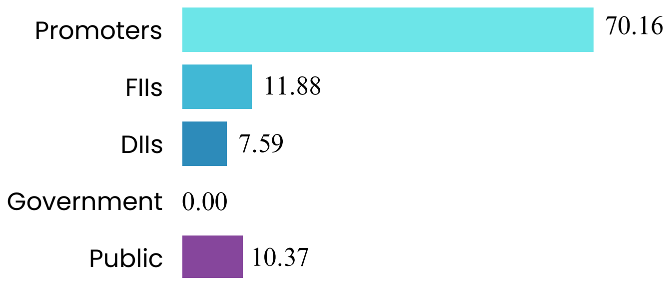
Inventory Turnover Ratio

2024 - 3.16
2023 - 3.28
2022 - 3.20
2021 - 5.91
2020 - 7.85

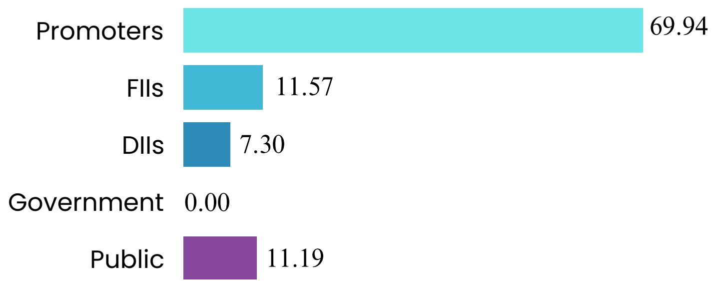
Analysis- Inventory turnover is the rate at which inventory stock is sold, or used, and replaced. Pidilite's inventory turnover ratio has significantly declined from 7.85 in FY 2020 to 3.16 in FY 2024 reflecting a slowdown in inventory movement. A low inventory turnover ratio might be a sign of weak sales or excessive inventory, also known as overstocking. This decline could lead to higher holding costs and reduced efficiency, potentially impacting the company's liquidity and profitability if not managed carefully.

SHAREHOLDING PATTERN
(Numbers in Percentages)

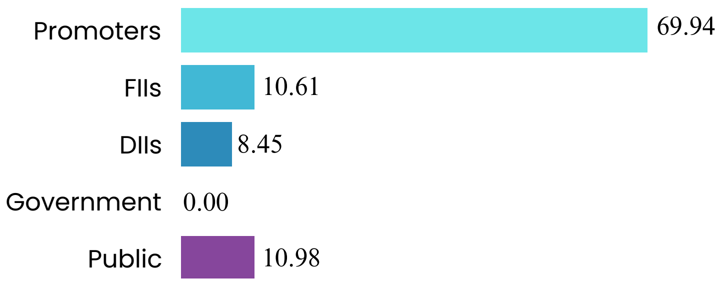
2021



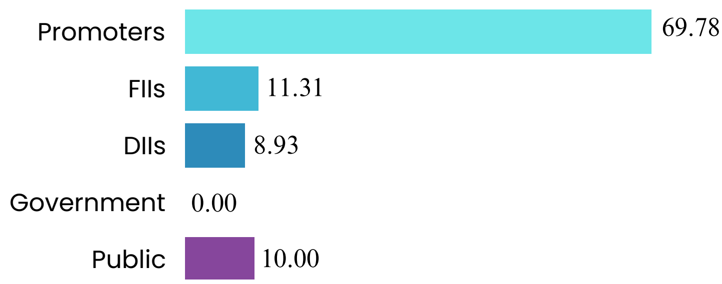
2022



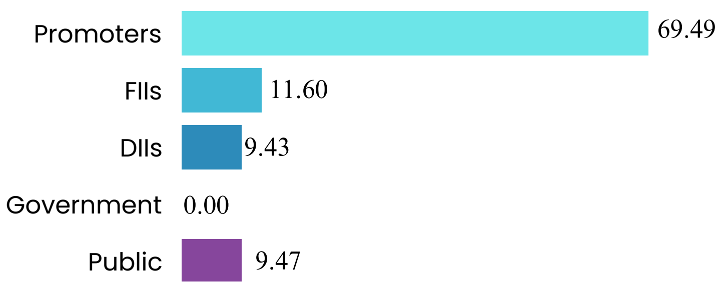
2023



2024



2025



Dividend Discount Model

The dividend discount model (DDM) is a mathematical means of predicting the price of a company's stock. The model is based on the idea that the stock's present-day price is worth the sum of all its future dividends when discounted back to its present value. The purpose of the DDM is to calculate the fair value of a stock, regardless of current market conditions. If the DDM value is greater than the current stock price, then the stock is considered undervalued and can be bought; if the DDM value is lower, then the stock is seen as overvalued and can be sold.

Methodology:

To estimate the intrinsic equity value of the company, we followed a structured Dividend Discount Model (DDM) approach, as outlined below:

Step 1 - Forecasting Dividends:
We projected the company's future dividends per share (DPS) from FY24 to FY28 based on a growth rate of 13.82%. The dividends ranged from ₹16.00 in FY24 to ₹26.86 in FY28.

Step 2 - Discounting Future Dividends:
Each year's dividend was then discounted back to its present value using the company's cost of equity (Re) of 13.01%. The resulting total PV of projected dividends was ₹65.16 for FY25 to FY28.

Step 3 - Calculating Terminal Value:
To capture value beyond FY28, we calculated a terminal value using a terminal growth rate of 7.64% and FY29 projected terminal price to dividend multiple of 151.40. Applying this multiple to the projected FY29 dividend of ₹28.91 gave us a terminal value of ₹4376.95.

Step 4 - Discounting Terminal Value:
This terminal value was discounted back to the present using the same discount rate (13.01%) for year 5, resulting in a present value of the terminal value of ₹2374.48.

Step 5 - Estimating Equity Value:
Finally, we summed the present value of dividends and the present value of terminal value:
-PV of Dividends: ₹65.16
-PV of Terminal Value: ₹2374.48
-Equity Value = **₹2439.64**
Intrinsic value band:
Target share price: **₹2439.64**
Model error leeway: 10%
Upper intrinsic value band:**₹2683.60**
Lower intrinsic value band: **₹2195.68**
The following Valuation Model can be accessed through the link: Attached

Free Cash Flow to Firm

Methodology:

Step 1 - We proceeded with the calculation of the Weighted Average Cost of Capital. It is calculated using the formula:
WACC = (E/V × Re) + (D/V × Rd × (1 - Tc)),
where E and D are the market values of equity and debt, Re is the cost of equity, Rd is the cost of debt, and Tc is the tax rate. For Pidilite Industries Ltd, the WACC is 12.97%, based on a cost of equity of 13.01%, a post-tax cost of debt of 9.00%, and a target capital structure comprising 98.94% equity and 1.06% debt.

Step 2 – We projected the Free Cash Flow to the Firm (FCFF) for the period FY24 to FY29. FCFF was computed using the formula:
EBIT × (1 - Tax Rate) - Reinvestment + Non-Cash Expenses.

Step 3 -The projected Free Cash Flows to the Firm (FCFF) from FY24 to FY29 were discounted to their present value using the WACC of 12.97%, resulting in a total present value of ₹7,444.8 Cr.

Step 4 - To capture value beyond FY29, we calculated a terminal value using a terminal growth rate of 5.38%, based on India's long-term GDP growth, and the FY30 projected EV/FCFF multiple derived from forecasting. Applying this multiple to the projected FY30 FCFF of ₹2,344.21 Cr gave the terminal value.

Step 5 - The Enterprise Value (EV) was calculated by summing the present value of FCFF (Step 3) and the present value of the terminal value (Step 4).

Step 6 - From the Enterprise Value, we subtracted debt and non-controlling interests, and added cash and bank balances, arriving at the Equity Value of the firm.

Target share price: **₹2230.96**
Model error leeway: 10%
Upper intrinsic value band:**₹2454.05**
Lower intrinsic value band: **₹2007.86**

The following Valuation Model can be accessed through the link: Attached

Free Cash Flow to Equity

Methodology:

Step 1 - We adjusted the FCFF for post-tax interest expense and net borrowings to calculate the Free Cash Flow to Equity (FCFE), representing cash available to equity holders.

Step 2 - FCFE was projected from FY24 to FY29 using a growth rate of 7.64% during the forecast period.

Step 3 - The projected FCFE values were discounted to present value using the cost of equity (13.01%), applying the mid-year convention.

Step 4 - The terminal value was estimated using the Equity/FCFE multiple method, applied to the FY30 FCFE. A terminal growth rate of 5.38% was assumed to maintain consistency with long-term economic expectations.

Step 5 - The Equity Value was derived by adding the present value of the projected FCFE and the discounted terminal value.

Target share price: **₹2595.93**
Model error leeway: 10%
Upper intrinsic value band:**₹2855.52**
Lower intrinsic value band: **₹2336.33**

Growth Rate Assumption – The expected growth rate used during the projection period was 7.64%, calculated as the product of the reinvestment rate and Return on Invested Capital (ROIC).
Terminal growth rate Assumption: The terminal growth rate was assumed to be 5.38%, based on long-term economic trends.

The following Valuation Model can be accessed through the link: Attached

EXECUTIVE SUMMARY

Summary

Pidilite Industries Ltd. holds a strong position in India's adhesives, sealants, construction chemicals, and arts & crafts segment, supported by iconic brands like Fevicol, Dr. Fixit, and Fevikwik. Its strong brand recall, vast distribution network, and dominance across markets provide it with a significant competitive edge. The company's strategic positioning allows it to benefit from trends such as rapid urbanization, increasing disposable incomes, and the rise of the DIY economy.

Pidilite's strong marketing strategies and superior supply chain management have helped mitigate external pressures effectively. Pidilite has reported resilient growth with expanding revenue streams and stable operating margins. The company maintains a strong balance sheet, characterized by minimal leverage, healthy return ratios, and robust cash flow generation. Working capital efficiency and disciplined cost management further enhance its financial resilience.

While Pidilite enjoys a low competitive threat in its core adhesives market, newer categories such as art materials and pest control face increased competition from local and multinational players. Volatility in raw material prices, particularly vinyl acetate monomer (VAM), also remains a key risk factor, impacting margins. While the industry standard is ~5%, Pidilite only spent 0.72% of its revenue on R&D in FY24, which limits the company's growth and innovation. Despite its strong brand presence, operational capabilities, and favourable industry backdrop, Pidilite faces challenges that could impact its long-term growth trajectory. Already high market penetration in core segments limits future upside potential. Discounted cash flow analysis suggests that the stock is trading at a premium to its intrinsic value, making the risk-reward unattractive at current levels.

Researched by:
Aryan Parasramka
Daksh Kakkar
Vanshika Surana
Vivek Vardhan

Visualised by:
Ayush Agarwal
Saman Quasim
Varnika Sanghani
Vidhi Agarwal